


**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** January 29, 2010

**SUBJECT:** Fiscal Impact Statement – “Haiti Earthquake Relief Contribution for Tax Year 2009 Deduction Amendment Act of 2010”

**REFERENCE:** DRAFT – No Bill Number

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**Conclusion**

On January 22, 2010, President Obama signed the Acceleration of Income Tax Benefits for Charitable Cash Contributions for Relief of Victims of Earthquake in Haiti Act<sup>1</sup> (“Federal Legislation”), which effectuates the provisions of the proposed legislation. Therefore enactment of the proposed legislation does not have any additional impact on the District’s FY 2010 through FY 2013 budget and financial plan.

By allowing taxpayers to deduct their charitable contributions supporting relief efforts in Haiti a year earlier, the Federal Legislation is expected to reduce District’s corporate and personal income tax collections by \$1.4 million in FY 2010, but increase these collections by a similar amount in FY 2011. The revenue impact of the federal legislation will be incorporated in the OCFO’s next revenue estimate scheduled to be released by the end of February 2010.

**Background**

The proposed legislation would allow for charitable contributions to earthquake relief effort in Haiti, made between January 11, 2010 and March 1, 2010 to be deducted from taxable income in tax year 2009.

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<sup>1</sup> An Act to accelerate the income tax benefits for charitable cash contributions for the relief of victims of the earthquake in Haiti, (H.R. 4462), approved January 22, 2010 (P.L. 111-126).

## **Financial Plan Impact**

Because the Federal Legislation already effectuates the provisions of the proposed legislation, the enactment of the proposed legislation does not have any additional impact on the District's FY 2010 through FY 2013 budget and financial plan.

The Federal Legislation allows charitable contributions made between January 11, 2010 and March 1, 2010 be treated as if such contributions were made on December 31, 2009. Thus, taxpayers who itemize their deductions in their federal tax returns would be able to deduct such contributions immediately as they file their 2009 tax returns rather than waiting until 2011.

Given that federal itemized deductions are used to calculate District taxable income, taxpayers would be able to deduct in their 2009 District tax returns charitable contributions they made to support the relief efforts in Haiti, even in the absence of the proposed legislation. Thus the proposed legislation would not have an additional fiscal impact.

The Federal Legislation is expected to reduce District's corporate and personal income tax collections by about \$1.4 million in FY 2010.<sup>2</sup> Given that the Federal Legislation changes the timing of the deductions, these losses will be largely offset in FY 2011 by the reductions in deductible contributions. The revenue impact of the Federal Legislation will be incorporated in the OCFO's next revenue estimate scheduled to be released by the end of February 2010.

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<sup>2</sup> This estimate is based on the estimated tax expenditure of \$67.2 million associated with charitable giving for FY 2010 including personal income and corporate income tax. It is assumed that contributions to Haiti will amount to about 2 percent of total charitable giving for that year—a number consistent with foundation giving in 2006 after the Sri Lankan Tsunami. For details see, <http://foundationcenter.org/gainknowledge/research/pdf/fgge07.pdf>.